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June 3, 2014

I hereby submit for the Board's consideration the 2014-15 Recommended Budgets, guided by the Countywide Vision. The Countywide Vision calls for the creation of a "complete county" that capitalizes on its many assets to collaboratively establish a sustainable system of economic opportunity, education, well-being and amenities. The Countywide Vision and the Board adopted County Goals and Objectives provide County government with clearer direction as it makes budget decisions.

This document includes the 2014-15 Recommended Budgets for the County, Board Governed Special Districts and Other Agencies governed by the Board of Supervisors. In prior years these budgets have been presented in separate budget documents.

In this document you will see that County departments, Board Governed Special Districts and Other Agencies built their 2014-15 Recommended Budget to achieve the County Goals and Objectives. For 2014-15 each department has reexamined performance measures to ensure they are attainable and relevant to the department's core mission, and that they tie directly to the 2014-15 County Goals and Objectives.

The 2014-15 Recommended Budget of \$4.8 billion is balanced and is consistent with policy direction received from the Board of Supervisors. No reserves are being used to fund ongoing costs. There is limited use of one-time sources to fund operating costs. The 2014-15 Recommended Budgets address the following key issues:

- Funding of the first phase of the High Desert Detention Center staffing with ongoing sources
- Fully funding the annual earned leave liability with ongoing sources
- Revenue reductions in Law and Justice programs
- Funding key transportation projects in Public Works
- Shortfalls in the County Museum
- Asset replacement needs

THE BUDGET IN BRIEF

This budget book presents the County General Fund and County restricted general funds. It also presents capital project funds, special revenue funds, enterprise funds and internal service funds for all entities presented in the 2014-15 Recommended Budget book including the County, Board Governed County Service Areas, San Bernardino County Fire Protection District, San Bernardino County Flood Control District, Big Bear Valley Recreation and Park District, and Bloomington Recreation and Park District. Other agencies presented in this budget book include County Industrial Development Authority, Economic and Community Development Corporation, In-Home Supportive Services Public Authority, and Inland Counties Emergency Medical Agency. The total requirements for these funds in 2014-15 are \$4.8 billion, which includes amounts that are not planned to be spent, that are budgeted as contingencies or contributions to reserves. Excluding these amounts, total projected expenditures for 2014-15 are \$4.4 billion.

General Fund requirements total \$2.6 billion and are funded by Countywide discretionary revenues (primarily property taxes), departmental revenues, and other funding sources of the General Fund. Of this \$2.6 billion, only \$471.6 million is truly discretionary.

	Requirements (In Millions)		
	2013-14 Modified	2014-15 Recommended	Change
General Fund	\$ 2,778.3	\$ 2,617.3	\$(161.0)
Restricted General Funds	71.3	54.0	(17.3)
Capital Project Funds	221.0	234.3	13.3
Special Revenue Funds	1,069.6	1,054.7	(14.9)
Enterprise Funds	650.2	650.1	(0.1)
Internal Service Funds	210.4	225.1	14.7
Permanent Funds	1.6	1.6	-
	<u>\$ 5,002.4</u>	<u>\$ 4,837.1</u>	<u>\$(165.3)</u>

The \$161.0 million decrease in General Fund requirements includes a reduction in General Fund Contingencies of \$136.4 million. The substantial reduction is primarily due to contributions to the General Fund's general purpose reserve and various specific purpose reserves, which was approved by the Board as part of the 2013-14 Third Quarter Budget Report. In the County General Fund, budgeting for future projects, economic uncertainties, and unallocated resources will shift from appropriating these amounts in contingencies to contributing these amounts to reserves. This change in philosophy will appropriately characterize the multi-year nature of projects, economic impacts and needs to be addressed with limited General Fund resources. Changes to align the County's budget and finance policies to this shift in philosophy will be brought to the Board for approval in the upcoming fiscal year. In addition to the reduction in General Fund contingencies, the Application Development unit of the Information Services Department has been moved from the General Fund to an Internal Service Fund, which will result in a decrease in General Fund requirements.

The \$17.3 million decrease in Restricted General Funds is caused primarily by a reduction in the transfer from the Health Realignment Fund to the Arrowhead Regional Medical Center as a result of AB 85 legislation. This legislation requires a redirection of a portion of health realignment revenues which will therefore not be available for ARMC operations.

The \$13.3 million increase in Capital Project Funds is primarily due to the increasing balance of amounts set aside for the 800 MHz project.

The decrease of \$14.9 million in Special Revenue Funds is primarily due to the completion of transportation projects in Public Works as a result of decreases in operating expenses and contingencies because of fewer new major infrastructure projects and the end of Proposition 1B funding in 2013-14. This decrease is offset by an increase in the Mental Health Services Act fund due to increased revenues from personal income taxes, which has been used primarily to increase departmental contingencies and to expand program services in regional clinics and clinical assessment services.

Internal Service Funds requirements are increasing \$14.7 million primarily due to the addition of the Information Services Department's new internal service fund in 2014-15. The Application Development Unit has been moved from the General Fund to an internal service fund as this unit provides services to County departments and recovers all costs via a billable hourly programming rate.



	Budgeted Staffing		
	2013-14 Modified	2014-15 Recommended	Change
County General Fund	13,795	13,759	(36)
County - Other Funds	6,041	6,264	223
Special Districts and Other Agencies	1,246	1,283	37
	<u>21,082</u>	<u>21,306</u>	<u>224</u>

Budgeted staffing recommended for 2014-15 is 21,306, an increase of 224 positions from the 2013-14 Modified Budget. General Fund staffing is decreasing by 36 positions, primarily resulting from the transfer of staff from the Application Development unit of the Information Services Department to an Internal Service Fund. This decrease is offset by an increase of staffing in the Human Services' Transitional Assistance Department, due to changes in programs and the State's focus on Work Performance Rates.

Staffing in Other County Funds is increasing by 223 positions from 6,041 to 6,264, from the transfer of employees from the Application Development Unit of ISD to an internal service fund. Arrowhead Regional Medical Center (ARMC) is increasing staff to address existing operational needs related to regulatory requirements, quality improvement, and to maintain staffing ratios based on volume. Additionally, staffing is increasing in the Behavioral Health Mental Health Services Act fund for the expansion of regional clinical services, clinical assessment services, recovery based engagement support teams and administrative support. Increased staffing in Preschool Services will enable the Department to serve an additional 250 children as a result of the restoration of federal sequestration funds.

Special Districts and Other Agencies is increasing by 37 positions primarily due to the addition of positions in the Fire Protection District to provide support to the Land Use fuel clearing program provide full time supervision to the Inmate Fire Crew Program that will be in full force by the end of 2015, and to reflect the expansion of the contract with the Fontana Fire Protection District.

HIGHLIGHTS OF 2014-15 RECOMMENDED BUDGET

Following are highlights of programmatic and budgetary proposals included in the Recommended Budget as they relate to the 2014-15 County Goals as adopted by the Board of Supervisors on February 25, 2014.

Implement the Countywide Vision

- The County Administrative Office will continue to support operation of the Countywide Vision Element Groups as they, in partnership with SANBAG, pursue activities to advance the adopted Regional Goals.

Create, Maintain, and Grow Jobs and Economic Value in the County

- Economic Development Department will continue to compete globally for investment and job growth by developing strong regional and national business relationships and providing resources, programs and incentives to maximize job creation.



- Economic Development Department will expand a domestic tourism strategy to brand San Bernardino County's desert and mountain regions to generate awareness and economic activity for the County's tourism assets.
- The Real Estate Services Department partnered with the City of Ontario to bring the public a new state-of-the-art Public Health Clinic, Lab, and Women Infants and Children's facility, slated to open in Ontario in fall 2014, creating new investment and office construction in the community.
- The Economic Development Agency (EDA) will continue to support businesses entering and operating in the County by ensuring that Workforce Investment Act (WIA) funding assists with business services and training for specific workforce skills. Through these efforts, EDA will work to keep existing businesses thriving and create an environment that is appealing to businesses looking to relocate.
- Through a partnership with the Transitional Assistance Department (TAD), the Workforce Development Department (WDD) will deploy \$3.0 million dollars to place up to 750 CalWORKs youth in paid work experience.
- Workforce Development Department (WDD) has received a revenue agreement of \$500,000 with the State Department of Corrections and Rehabilitation to provide Employment Services to the soon-to-be released prison population.

Improve County Government Operations

- The County Administrative Office will ensure employees know that they and their work are valued. One step towards that objective in 2014-15 will be the launch of the 'Employee Showcase' as a forum for County employees to present innovative ideas in support of the County Goals to senior managers and the Chief Executive Officer.
- Finance and Administration will continue to implement strategies to improve efficiency and effectiveness. The key component of reaching that objective will be presenting accurate and timely budget and financial information to the County Administrative Office and the Board of Supervisors.
- A team consisting of the Auditor-Controller/Treasurer/Tax Collector, County Administrative Office, Finance and Administration, Human Resources, and Information Services Department will be evaluating proposals for the County's Enterprise Financial Management System and a vendor will be selected. Implementation will begin in 2014-15. The new financial system will streamline business processes and provide better management information.
- Auditor-Controller/Treasurer/Tax Collector added a Systems Accountant II position in Property Tax to assist with system processes and increased complex workload relating to the dissolution of Redevelopment Agencies and an Accountant II in Central Payroll to comply with reporting requirements associated with the Affordable Care Act.
- Facilities Management, in collaboration with Information Services Department and Architecture and Engineering, integrated six different heating, ventilation and air conditioning (HVAC) building automation systems in 31 buildings into one networked system, utilizing the County's Wide Area Network and allowing remote control, diagnostic and system failure alerts



to improve the efficiency and response times to County buildings for HVAC issues. In 2014-15, additional funding has been allocated in the Capital Improvement Program (CIP) to upgrade HVAC controls at six County buildings.

- Beginning in 2011-12, the Board allocated \$44.5 million in one-time discretionary general funding to acquire space in San Bernardino and Victorville and to complete tenant improvements, seismic retrofits and modernization of certain existing buildings in San Bernardino. Funding of \$3.7 million has been added from the annual CIP base budget allocation and \$1.6 million is proposed to be added in 2014-15, bringing the total funding for the estimated \$89.5 million total project cost to \$49.8 million. In 2014-15, tenant improvements will be completed for the 303 W. 3rd Street and 268 Hospitality Lane buildings in San Bernardino; design will be completed for 222 Hospitality Lane, 316 Mtn. View Avenue and for the County Government Center campus street and parking lot improvements.
- The County Library continues its plans to enhance service by replacing outdated computer hardware and software over the next several years, restoring the Library's material budget and adding high demand items to the collection, including an expanded digital book collection.
- Public Health Department budgeted for a consultant to help facilitate a Local Public Health System Assessment that will assist the Department through its Strategic Planning efforts, and also assist in the Department's Accreditation efforts, which are intended to ensure the department is focused on constant quality improvement and improved transparency and accountability to its stakeholders. In addition, the budget includes a reorganization of the Health Policy and Development Division, which is intended to ensure that all departmental efforts and initiatives are aligned and working towards achieving the Wellness Element of the Countywide Vision.
- The Information Services Department (ISD) Application Development division is being transitioned from the General Fund to an internal services fund (ISF) beginning in 2014-15. As the division's computer programming labor services are rendered, customers will be billed, creating revenue to fund this department. As such, ISD will no longer rely on Net County Cost. This change will make the user department budgets more reflective of the true cost of operating and will allow Application Development to use retained earnings to fund future equipment purchases in a more timely and cost efficient manner. This transition will require a loan of \$2.3 million from the Telecommunication Services fund (IAM ISD) for an estimated two months' operating expenses for the new ISF.

Operate in a Fiscally Responsible and Business-like Manner

- Arrowhead Regional Medical Center (ARMC) budget includes the addition of 18 limited term clinical and support positions to reduce the use of overtime, temporary help, and nursing registry to provide improved response to volume fluctuations and operational needs as a result of the implementation of the Affordable Care Act.
- The Regional Parks Department has been working to reduce utility costs at its park locations, and in particular at Prado Regional Park. Prado receives water and sewer service from the Inland Empire Utilities Agency (IEUA), a municipal water district. The county entered into an agreement in 1976 with the Chino Basin Water District for water and sewer service, which was assumed by IEUA in 1998. Regional Parks is working as part of a county team to negotiate a new water and sewer agreement to reduce costs for the park.



- Investment of capital resources to reduce energy costs continues through the energy efficiency program partnership with Southern California Edison and Southern California Gas. In 2013-14, Architecture and Engineering completed six projects that reduced energy consumption, resulting in estimated ongoing utility savings of \$120,000 per year and incentives from the utility companies of \$180,000. In 2014-15, the department anticipates completion of four projects with annual savings of 1.4 million kilowatt hours, \$190,000 annual savings, and over \$600,000 in incentives.
- Special Districts Department's budget reflects an increase in reserves for water and sanitation districts by \$6.0 million with the implementation of a policy to have all water and sanitation districts keep a 25% operating contingency fund and an amount equal to 40% of their operating fund in a capital replacement fund. These funds are to help ensure the long term sustainability of the district's infrastructure.
- After saving approximately \$1.2 million for the property insurance premium, Risk Management will continue negotiating insurance renewals to reduce premium costs and obtain more favorable coverage terms for the County. Additionally, Risk Management will be providing Workers' Compensation coverage for Preschool Services contracted employees as of July 1, 2014 at significant premium savings for the department.
- The Purchasing budget includes the addition of one buyer position, which will be funded by Fleet Management, in order to provide enhanced procurement services to Fleet Management.

Ensure Development of a Well-Planned, Balanced, and Sustainable County

- The 2014-15 Recommended Budget reflects a one-time allocation of \$308,537 of discretionary general funding from the County General Fund Reserves for the Land Use Services - Planning Division to continue to update the General Plan, to create more specific community plans to better reflect the unique character of all areas of the County, and to amend the development code and master plans. These revisions will ensure the most appropriate standards are being applied in all areas of the County and will be accomplished over an estimated three-year period. The additional funding requirements necessary to complete this project are estimated at \$6.5 million, of which \$5.1 million exists in County General Fund Reserves and \$1.4 million is included in budgeted appropriation that is anticipated to remain unspent at the end of the 2013-14 fiscal year.
- The Registrar of Voters budget fluctuates based on a 4-year election cycle, with the Presidential Election being the largest and most costly of the major elections. The department is transitioning from a 2 major election cycle in 2013-14 to a one major election cycle in 2014-15. The 2014-15 budget includes provisions for one minor and one major election as follows: July 8, 2014, for the City of Chino Special Election (minor); and the November 4, 2014 Gubernatorial General Election (major). The minor election is 100% reimbursable; however the major Gubernatorial General Election is only 27% reimbursable, which requires significant Net County Cost funding for the year.
- The County Museum budget reflects reductions in sources of approximately \$518,000 primarily due to state and federal contracts ending with no replacement contracts currently approved, and by scaling back fee and program revenue projections to a conservative level. One vacant position is recommended for deletion as a result thereof, and this is the second



consecutive fiscal year that the Museum has experienced a significant revenue downturn. Net County Cost of \$2.7 million represents an increase of \$570,958 of one-time bridge funding necessary to sustain Museum operations at the current level while a comprehensive study is conducted with respect to reorganizing and developing innovative solutions for the Museum's financial challenges. Included in Net County Cost is a \$125,000 one-time amount for the transition of the Victor Valley Museum.

- Regional Parks will continue to expand amenities at the Calico Ghost Town campgrounds by using Off-Highway Vehicle funding to improve and add camping cabins, renovate restrooms, and to improve the Calico Bunkhouse. These improvements will result in additional revenues for the department and the concession operators, as well as encouraging new domestic and international tourism from "Families in Travel".
- Regional Parks, through ongoing communication and a broadening partnership with venue operators, will make improvements in order to enhance the visitor's experience. Live Nation will increase musical entertainment and festivals at the Glen Helen venue. Lake Gregory Recreation Co., the new operators and managers of Lake Gregory Regional Park, have made many improvements, including a huge, inflatable water feature "Splash Island" and updated catering services at both the San Moritz Lodge and the Cove Snack Bar.
- Community Development & Housing will implement the Bloomington community and neighborhood revitalization efforts by securing the remaining financial resources and commencing construction of the 106 unit, multi-generational housing community and the new 6,500 square foot Bloomington Branch Library on Valley Boulevard.
- Special Districts Department's budget includes \$25.3 million of capital improvement projects in 2014-15, of which, \$19.0 million is programmed in construction funds and \$6.3 million in operating funds. Capital improvement projects programmed in the department's construction funds include the design and construction for the relocation of the Big Bear Alpine Zoo, additional improvements at Kessler Park in Bloomington Recreation and Park District, and road paving and slurry seal projects. Additionally, the department has numerous sewer and water system improvement projects programmed.
- Special Districts Department's operating funds budget includes \$6.3 million in capital improvement projects for Architecture and Engineering and Regional Parks such as the Lake Gregory Dam project, which is funded by a one-time contribution of \$4.0 million in discretionary general funding, as well as the Glen Helen Lift station and Mojave Narrows improvement projects.
- The Public Works - Transportation budget includes over \$25.0 million in major infrastructure projects in 2014-15, funded in part with a one-time contribution of \$5.7 million in discretionary general funding to complete construction of the following:
 - Glen Helen Parkway grade separation,
 - Contribution towards the Slover Avenue and San Bernardino Avenue widening projects,
 - Local match for the Glen Helen Parkway bridge replacement project,
 - Funding for bridge studies on the National Trails Highway, and
 - Construction of a sidewalk near the Joshua Tree National Park Visitor's Center.
 - Other major infrastructure projects include:
 - Contributions to the Cherry Avenue at Interstate 10 interchange improvements,



- Contributions to the Yucca Loma Bridge/Yates Road widening project,
 - A signal on Central Avenue at Phillips Boulevard, and
 - Grant matching contributions for the National Trails Highway raised pavement markers and flashing lighted crosswalks on Pacific Street and Beech Avenue.
- The Public Works - Transportation budget will maintain the County roadway system pavement in good to very good condition by completing \$18.0 million worth of pavement improvement projects, including surface treatments on 107.9 miles and rehabilitating and overlaying 12.4 miles of roads. Additionally, to improve the access to the Sheriff facility, a previous one-time contribution of \$6.0 million in discretionary general funding will help fund improvements on Institution Road to reconstruct and improve the roadway surface.
- The Public Works - Solid Waste Management Division plans to complete \$20.1 million of capital improvement projects which includes the following: \$1.7 million for the final closure construction of the South and West slopes of Unit 1 at Mid-Valley Sanitary Landfill (MVSL); \$2.3 million for liner construction at MVSL, and \$1.2 million for expansion activities at Apple Valley, Barstow, San Timoteo, and Landers Sanitary Landfills; \$11.8 million in environmental mitigation and monitoring activities including construction of landfill gas extraction systems (LFGES) at Big Bear and Barstow Sanitary Landfills, monitoring and maintenance of the LFGES and groundwater monitoring systems at active and closed landfills and disposal sites within the County's waste disposal system, and construction of the Heaps Peak East Slope Stabilization project; \$3.1 million for the construction of new entrance roads and scale houses at the Heaps Peak Transfer Station and the San Timoteo Landfill.
- The Public Works – Flood Control District (District) budget includes \$49.5 million in capital improvement projects in 2014-15. The District anticipates completion of the Mountain View Acres Storm Drain project and the Alabama Culvert project. The District also plans to start construction on the Wilson Creek Channel project, Mojave River Levee Phase II project and the Cactus Basin #3 project.

Maintain Public Safety

- On February 6, 2014 the Sheriff/Coroner/Public Administrator opened Phase 1 of the High Desert Detention Center (HDDC – Formerly known as Adelanto Detention Center) Expansion Project. Phase 1 allows the department to increase capacity by 222 beds over the prior facility, bringing the system's total current operational capacity to 6,235 beds. Staffing for Phase 1 of the project was funded with Public Safety Realignment Funding (AB 109) in 2013-14 and has transitioned into ongoing discretionary general funding as part of the 2014-15 Recommended Budget. The total project cost was \$144.0 million for construction, plus \$1.5 million for Sheriff transition planning costs, funded with a combination of a \$100 million grant from the State of California under the Public Safety and Offender Rehabilitation Services Act of 2007 (AB900) and \$45.5 million by the County from discretionary general funding. The total expansion project is planned to be staffed in a phased approach which will result in a total of 2,098 beds at the HDDC.
- The Land Use Services - Code Enforcement division streamlined the Rehab/Demo program and successfully met the 10% reduction time to complete demolition projects. Additionally, the Land Use Services – Fire Hazard Abatement division achieved their 99% target of successful abatements for properties identified as having hazardous conditions. The 2014-15



Recommended Budget contains continued funding for the department to continue achieving these standards.

- An additional \$6.3 million in ongoing discretionary general funding has been provided to the Probation Department to offset reductions in federal Title IV funds (\$5.8 million) and fee generated revenue (\$0.5 million). This funding will enable the Department to continue to supervise adult and juvenile probationers at an appropriate level to reduce recidivism.
- An additional \$1.0 million in ongoing discretionary general funding has been provided to the Public Defender (\$0.6 million) and District Attorney (\$0.4 million) to compensate for the elimination of state reimbursements for costs regarding sexually violent predators.
- Overall, service levels of the County Fire Protection District have increased in Fire Prevention, Fire Suppression, and Emergency Services, with a net staffing increase of 24 positions. These increases were primarily due to the addition of 9 positions in Fire Hand crew to provide more support to Land Use fuel clearing program; the addition of 2 Engineers and 1 Captain to provide full time supervision to the Inmate Fire Crew Program that will be in full force with 5 crews, for a total of 75 inmates, by the end of 2015; the expansion of the Fontana contract by 9 positions in Station #72 and the addition of 4 Paid Call Firefighters in the Crest Forest Contract; the addition of 2 contract Emergency Services Specialists to provide support to the Emergency Services contracts with the City of Fontana and the City of San Bernardino; and finally, replacing all Limited Term Fire Fighter/Paramedic Ambulance staff with career class Ambulance Operators to stabilize the workforce in the stations that provide ambulance services.
- Ongoing discretionary general funding of \$20.0 million continues to be allocated for the 800 MHz Upgrade Project to address the aging public safety radio system. Information Services Department, Real Estate Services, and Architecture and Engineering are working on acquiring/leasing new sites and modifying leases for existing sites to undertake tower construction and upgrades. Purchases of digital radios and equipment are underway with features and capabilities that have already improved law enforcement safety. The revised estimated cost of the project is \$158.2 million, with \$64.0 million funded to date and \$20.0 million proposed to fund in 2014-15. Expenditures include funding for infrastructure to support the upgrade at the High Desert Government Center Public Safety Operations Center, a consultant contract with Motorola to assist in the planning and implementation of the system upgrade, a contract with Aviat Networks for equipment and services, and purchase orders for annual maintenance and support. The upgrade project will be implemented in five phases over a seven-year period.
- In 2014-15, design will be completed and construction of a 20,000 square foot expansion of the Sheriff's Crime Lab will commence in October 2014 and be completed in September 2015. The \$17.0 million project budget for the crime lab was funded from discretionary general funding in 2012-13 and 2013-14. Various other projects that improve Sheriff and detention facilities are planned for 2014-15.
- The Law & Justice Group Administration will coordinate efforts between all Law & Justice departments to reduce costs while maintaining a high level of service by identifying and securing new grant opportunities. This will be accomplished by holding regular meetings with representatives from the Law and Justice departments to discuss grant opportunities and evaluate requests to fund state-of-the-art equipment and programs.



- During 2013-14 the Sheriff/Coroner/Public Administrator's Detentions budget unit transferred 15 deputy positions to patrol in order to enhance service in unincorporated parts of the County. These positions remain in the patrol budget unit as part of the 2014-15 Recommended Budget.

Provide for the Health and Social Services Needs of County Residents

- Child Support Services anticipates the revenue received from state and federal sources will remain at the level initially adopted in 2013-14. In addition to the loss of one-time funds (\$336,000) received in 2013-14, the Department faces increasing expenditures, such as a \$444,000 increase in COWCAP charges, which includes increased audit and unemployment insurance costs, additional hours of systems development services, and the elimination of an adjustment that decreased COWCAP charges in the prior year. Faced with increased costs and flat funding levels, the Department has taken steps to reduce costs in several areas, such as deleting 4 positions.
- During 2013-14, Public Health's Community Vital Signs Initiative brought together 1,000 community stakeholders, representing healthcare, education and public safety, the business sector, the planning and transportation community, faith-based and community-based organizations, local jurisdictions, and policy makers to discuss, comment and prioritize 34 indicators affecting the health of our communities. In 2014-15, the Initiative will continue its role in advancing the Wellness Element of the Countywide Vision by reconvening stakeholders to develop a Community Health Improvement Plan. This Plan will map current resources and identify strategic action steps and policy recommendations that are reflective of the top priorities identified in 2013-14.
- State and federal funding increases due to the economic downturn are included in the HS - Administrative Claim, primarily in Transitional Assistance programs, and subsistence programs of CalWORKs, AFDC-Foster Care, Aid to Adoptive Children and Kinship Guardianship Assistance to assist residents in need. In addition to the 27,000 families recently enrolled due to healthcare reform (October 2013 through March 2014), HS anticipates: 3,000 additional CalWORKs cases (6% increase), needing WtW supportive services due to reengagement; 5,900 additional Medi-Cal cases (3% increase); and 13,000 additional Cal Fresh cases (11% increase) over the prior year.
- Real Estate Services negotiated new leases for various health and social service departments including larger offices for the Transitional Assistance Department (TAD) to accommodate the growing client list for services in Colton (46,000 square feet), Needles (10,000 square feet), Yucaipa (20,000 square feet) and Redlands (27,000 square feet); and a new state-of-the-art Public Health Clinic, Lab, and Women Infants and Children's facility will open in the fall of 2014 in Ontario (57,930 square feet).
- ARMC will focus on the conversion of patients from self-pay to Medi-Cal to maximize the utilization of Federal and State programs to ensure receipt of all available resources under the Affordable Care Act in order to maintain clinical capacity to meet the health needs of County residents.
- ARMC budget includes the redesign of the three Family Health Care Clinics' staffing to follow the Population Care model and provide specialized levels of care that focus on the most acutely ill ambulatory patients.



- The Public Defender will utilize County programs to move clients to self-sufficiency by providing social service referrals to further client treatment and/or stabilization. In particular, a Social Service Practitioner will be on-site for parole hearings to meet with clients and make them aware of the various programs available to them through Human Services, Behavioral Health, and Public Health.
- Preschool Services will have \$2.1 million in funding restored, that was reduced in 2013-14 due to sequestration. The restoration of funds will be used to reinstate the number of children served, rebuild staff to support the restored level of services, and reestablish vendor contracts.
- Department of Aging and Adult Services (DAAS) anticipates the reinstatement of Federal funds for the nutrition program that was previously reduced due to Federal Sequestration. DAAS programs are expected to remain at 2013-14 service levels, while the number of senior meals provided by the Department's Elderly Nutrition Program is expected to increase.

Pursue County Goals and Objectives by Working with Other Government Agencies

- ARMC will work collaboratively with the California Association of Public Hospitals, the State, and the Centers for Medicare & Medicaid Services in the development of the next Medicaid Waiver in order to maximize future revenues. There will be stringent clinical performance measures linked to the reimbursement of costs within the next Waiver.

CHALLENGES IN FISCAL YEAR 2014-15 AND BEYOND

In the coming years, the County faces the challenge of continuing to provide quality services to its residents while managing the impacts of revenues not increasing sufficiently to cover increased costs. In addition, other major challenges facing the County include state budget impacts.

State Budget

On May 13, 2014 Governor Brown released his revised \$156.2 billion 2014-15 Proposed State Budget, which includes \$107.8 billion in State General Fund expenditures, a 7% increase over last year, and a \$2.1 billion reserve. The budget represents a modest surplus that allows for some restoration of prior year reductions and early loan repayment opportunities.

The Governor's Budget Plan contains a 9.3% reduction statewide in AB 109 Public Safety Realignment funding available to county Community Correction Partnerships in 2014-15. This includes a reduction to the AB 109 base allocation and an assumed AB 109 growth projection that is less than the amount received in 2013-14. Based on the current allocation methodology, this will result in a reduction of \$9.7 million in AB 109 funds available to the County in 2014-15. The County has allocated additional one-time Discretionary General Funding to partially cover this shortfall and it is anticipated that the allocation will be restored in 2015-16.

Other issues that are of ongoing concern to the County include the continued implementation of Federal Health Care Reform and its impact on 1991 Realignment funding and County health care programs.

Based on a preliminary review of the Governor's revised budget, changes to programs and additional workload increases in Human Services will result in a funding increase of \$28.6 million in 2014-15. Related to Federal Health Care Reform, the State projects a \$3.0 million reduction in County 1991



Realignment Funding primarily based on projected Medi-Cal expansion. In addition, the budget includes a decrease in the gasoline tax rate beginning July 1, 2014. Based on this decreased rate the County stands to lose \$5.4 million in funds available for transportation operations. The May Revisé also includes repayment to local agencies towards amounts owed for mandated services performed prior to 2004. Of the \$900 million in Statewide pre-2004 mandate obligations, the County of San Bernardino is owed \$15 million. The County stands to be reimbursed \$1.6 million if this proposal is adopted.

Sales Tax Volatility

Historically it has been assumed that counties are more reliant on relatively stable property taxes for the provision of services, however, with the realignment of many state services, counties have become increasingly dependent on sales tax revenue. When combining 1991 and 2011 Realignment revenues, which are primarily funded with sales tax (\$510.3 million), with County sales tax (\$20.2 million) and Proposition 172 Half Cent Sales taxes (\$156.0 million), the portion of requirements funded primarily with sales tax represents 14.2% of the County budget. While sales taxes are not projected to decrease in 2014-15, they tend to be much more volatile and quicker to react to changes in the economy, resulting in a higher risk of funding losses in future years.

Retirement Costs

Due to the 2008-09 market losses, the County will still experience high retirement contribution rates over the next fiscal year to ensure retirement liabilities will be funded at a proper level. The County's Retirement Fund is required to earn 7.75% each fiscal year in order to adequately fund retirement liabilities. The County is continuing to actively seek to reduce future retirement costs through proposed compensation reductions and implementing the state approved pension reform.

CONCLUSION

The County fiscal plan developed by the County Administrative Office outlines measures to address the anticipated cost increases for the next five years so that both the Board and staff can continue to focus on rebuilding the County. The 2014-15 Recommended Budget focuses on major policy issues and key projects that require additional funding. The County is committed to making the most of its funding to provide necessary public services in an effective and efficient manner and fulfilling its role in the achievement of the Countywide Vision.



GREGORY C. DEVEREAUX
Chief Executive Officer

